

# Council

## 2010/11 Treasury Management Annual Report

26 July 2011

### Report of Head of Finance

#### PURPOSE OF REPORT

This report presents information on treasury management performance and compliance with treasury management policy during 2010/11 as required by the Treasury Management Code of Practice.

This report is public
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#### Recommendations

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Council is recommended:

- (1) To note the contents of this report in line with the Treasury Management Strategy.

#### Executive Summary

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- 1.1 The annual treasury report is a requirement of the Council's reporting procedures. It covers the treasury activity during 2010/11 and the actual performance against Prudential Indicators for 2010/11.
- 1.2 The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. During 2010/11 the reporting requirements were that members receive an annual treasury strategy in advance of the year, a mid-year treasury report and an annual report describing the activity compared to the strategy. The Accounts, Audit and Risk Committee has been nominated to scrutinise the treasury activity of the Council and they receive regular reports on compliance with strategy and a comprehensive overview of investments made.
- 1.3 The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

#### Background Information

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- 2.1 Councils invest money from the sale of assets and invest Government revenue grant paid to councils in regular intervals, before they have to spend

it. This is with the aim of earning interest to support services and keep council tax down. All investments are placed to ensure security of investments firstly, followed by liquidity and the final consideration is yield.

- 2.2 Cherwell District Council sold its housing stock on 29<sup>th</sup> March 2004 and this generated a substantial capital receipt. It is the Council's capital receipts and useable reserves that are being invested. As the Council continues to invest in infrastructure throughout the District these balances will reduce.

### **Annual Treasury Performance 2010/11**

- 2.3 The actual return on investments for 2010/11 was £1.362m compared with a budget of £1.348m, a small positive variance of £0.014m. The budget was based on an average investment balance of £60m and an interest rate of 2.24%. The actual average balance was £67m which attracted an average return of 2.22%. The investments held at 31 March 2011 are attached in Appendix 1a and 1b.

The financial year 2010/11 continued the challenging environment of the previous year. The UK economic recovery remained weak and the Euro-Zone crisis saw Greece, Ireland and Portugal requiring EU State aid. The main implications of the exceptional circumstances have been deteriorating investment returns and continuing counterparty risk.

- 2.4 Our Treasury Management Annual Report can be seen in Appendix 1.

During 2010/11 the Council complied with all of its legislative and regulatory requirements.

### **Icelandic Investments**

- 2.5 In April 2011 the District Court of Iceland ruled in favour of UK Local Authorities and awarded "Priority status" for the deposits held with Glitnir. This decision is being challenged by the losing parties and is expected to be brought before the Icelandic Supreme Court in September 2011.
- 2.6 The Icelandic investment position is regularly reviewed in accordance with the latest advice from the LGA and the Council's legal advisors, Bevan Brittan.

### **Key Issues for Consideration/Reasons for Decision and Options**

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- 3.1 This report illustrates the Council's Treasury performance for 2010/11 against budget and includes the Annual Treasury Report 2010/11

The following options have been identified. The approach in the recommendations is believed to be the best way forward

**Option One** To review current performance levels, and consider any actions arising.

**Option Two** To approve or reject the recommendations above or request that Officers provide additional information.

## Consultations

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The investment strategy has been subject to regular review with Members through the Accounts, Audit and Risk Committee and quarterly budget monitoring to the Executive.

## Implications

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<b>Financial:</b>	Financial Effects – the financial effects are as outlined in the report. Comments checked by Karen Muir, Corporate Systems Accountant, 01295 221559.
<b>Legal:</b>	Presentation of this report is in line with the CIPFA Code of Practice. Comments checked by Nigel Bell, Monitoring Officer, Legal & Democratic Services, 01295 221687.
<b>Risk Management:</b>	It is essential that the Treasury Annual Report is considered by Council as it demonstrates that the risk of not complying with the Council's Treasury Management Strategy has been avoided in 2010/11. Comments checked by Claire Taylor, Corporate Strategy and Performance Manager, 01295 221563.

## Wards Affected

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All

## Corporate Plan Themes

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An Accessible and Value for Money Council

## Executive Portfolio

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Councillor Ken Atack  
Lead Member for Financial Management

## Document Information

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Appendix No	Title
Appendix 1	Treasury Management Annual Report 2010/11
<b>Background Papers</b>	
2010/11 Investment Strategy CIPFA Treasury Management Code Of Practice 2010/11 Treasury Management Practices 2010/11 Budget Monitoring Reports	
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